

"This is an exciting time for the City of Wichita. We are at a time of new beginnings, new challenges and new opportunities for our community. The policies that are set in motion today will shape our city for decades to come. This is the time to build a legacy for future generations of citizens to enjoy. Wichita is ready to open the next chapter in herglorious story."

Carlos MayansMayor









November 1, 2004

The Honorable Mayor Carlos Mayans and Members of the City Council City of Wichita Wichita. Kansas

Dear Mayor and Council Members:

Wichita is a city with a rich history and tremendous opportunities. The nation is beginning to discover the treasure that is found here in the heart of the Midwest, as evident through the increase in organizations who hold their conventions in our community and the national awards and recognition the City has received. From the tribute to our past as a cowtown, to the embracement of our entrepreneurial spirit as the Aviation Capital of the World, to the visionary leadership that is setting the groundwork to continue to make Wichita a great city, the citizens of Wichita look to *new beginnings*, a new journey, that is bright and full of new challenges to accomplish.

In recent years Wichita has fought to rebound from the economic downturn that gripped our nation. Due to our strong industrial base, Wichita was one of the hardest hit. The aviation industry, for decades the very foundation of our economic growth, continues to rebuild although it has have been riddled with layoffs and lowered revenues. The local economy has reflected this, and while signs of recovery are starting to appear, there is still much work to be done.

For the past several years, governments have been faced with the insurmountable task of maintaining the level of services provided while withstanding significant reductions to their budgets. From State cuts to lost revenues, cities have had to find ways to balance their budgets and meet the needs of the citizenry without raising the mill levy. The City of Wichita is no exception.

"Today's a new day,
With a promise of its own...
I'll value new beginnings
And cherish them as gold..."

- "New Beginnings" by Marie Williams

Responding to the request of the governing body, the City Manager's Office and the Department of Finance began the task of creating the 2005-2006 Budget with a new approach. In past years, the City Manager was charged with the creation and presentation of the budget to the City Council. This year, the members of the City Council provided the leadership and vision that served as the outline for the creation of the budget. Their guidance set forth the missions and goals this budget strives to accomplish. This budget embodies the new beginnings that are on the horizon for our great municipality.

It is therefore my privilege to present the City of Wichita **Annual Budget for 2005-2006**. This Budget was developed in accordance with applicable State laws and City policies.

As in recent years, tough decisions had to be made in the creation of this budget, but they were made in the spirit of a new focus on a brighter tomorrow and the opening of a new chapter in our City's bright history. The exciting new chapter begins with two facts: there will be no tax increase and the budget, set before you in the following document, is a balanced, financially-sound fiscal plan.

With the submittal of this letter I am pleased to announce that Wichita is emerging from a difficult past and is forging ahead down a path of *new beginnings*.



2005-2006 BUDGET HIGHLIGHTS

- A balanced General Fund budget for 2005 with no property tax rate increase (11th consecutive year without an increase of property taxes) provides for annual operating expenses to be fully offset from annual operating receipts, pursuant to governing body policy direction; however, a significant portion of the resources used to finance the budget are one-time usage funds and will not be available again in 2006.
- The dedication of \$1 million in funds annually to promote an Economic Development Initiative, considered vital to the future growth of the City.
- An Information Technology Initiative for services and programs to increase and provide more opportunities to the benefit of the citizenry. For example, Public Safety (Police and Fire) capabilities will be enhanced through new mobile computer terminals and GIS resource allocation analysis.
- The Adopted Budget includes compensation for all employees with all step movements and longevity adjustments, as well as the continuation of employer contributions of 80% on health insurance. The Budget also includes a General Pay Adjustment for all employees, 2% in 2004, and 1.5% per year in 2005 and 2006. Following budget adoption, a labor contract was finalized with the Fraternal Order of Police (FOP). The 2005-2007 Budgets will be adjusted next year to reflect a GPA percentage for all employee groups that is consistent with the 3% GPA in the FOP contract (per City Council preference to treat all employees similarly.

2004 REVISED BUDGET

The 2004 Revised Budget absorbs several items that were not included in the 2004 Adopted Budget. One of those items was the difference between 2% (approved by the governing body) and the 1.5% budgeted GPA. Another item was the difference between an employer health insurance contribution of 80% versus the 75% stated in all previous labor contracts and budgeted. In addition to those items, the Revised Budget absorbs costs for the following:

- The City of Wichita's share of the Visioneering Project coordinated by the Chamber of Commerce;
- Base Realignment and Closure (BRAC), in response to potential military base closings;
- Kansas Minority Business Council;

- One-half of the funding for School Resource Officers;
- Fire grant match for equipment enhancements;
- LEP Program for Water Quality protection; and
- Economic development incentive projects.

2005-2006 ADOPTED BUDGET New Beginnings for a Great City of Wichita

The primary goal of a municipality is to provide service to its citizens. The more than 3,200 employees of the City

of Wichita strive to meet that goal every day and succeed in many ways, accomplishing many

"It's only the beginning now So dreams can still come true."

- Gertrude B. McClain

great tasks to the benefits of the citizenry. A budget for a municipality is more than a statement of its finances. It provides policy direction that serves as a foundation for the programs, initiatives and services the city will provide. The annual budget allows the City to celebrate its accomplishments while outlining new initiatives, programs and service delivery for the future.

BUDGET OBJECTIVES CREATE NEW BEGINNINGS

This budget focuses on maintaining core services, restoring services reduced in previous years, and addressing operating and maintenance costs for new facilities and technologies. The City's financial resources are finite and difficult choices must be made to provide an equitable balance between competing objectives.

Early in the budget process, Finance staff submit a Financial Plan, a financial overview and five-year forecast

"What we call results are beginnings."

- Ralph Waldo Emerson

in advance of Budget development. This is a forecast of what the next several years may bring in the fiscal affairs of the City assuming status quo policies and trends.

The intent of the forecast is to provide the Mayor and City Council with Staff's best estimates of the future so the governing body has an early opportunity to plan and provide policy guidance to the City Manager prior to submission of a proposed budget for the coming year.

Forecasting the future is always a challenge, especially with the continuing uncertainties of the local economy. However, despite this, staff was able to provide the



Council with a sound Financial Plan that introduced citizens and policy makers to important budgetary information, encouraging informed participation at an early stage in the budget development process.

From this plan, the City Council was able to identify specific areas of emphasis. These areas are: Past Successes; Public Safety; Delivery of Information; Service Delivery; Human Resources; Infrastructure; Cultural Tourism; Economic Development; and Cooperative Partnerships. Through these areas the City is able to focus its goals and objectives to provide the best services for the citizens.

To the greatest degree possible, the City's 2005-2006 Adopted Budget was developed to facilitate the realization of long-term goals and to meet short-term needs identified during the budgeting process.

PAST SUCCESSES GUIDE NEW BEGINNINGS

The City of Wichita is an award winning community. Each year, the efforts of the organization receive local, state and national recognition. These recognitions give validation that the City is providing the citizens of Wichita with the very best service that it can give. The following paragraphs describe "We judge ourselves by what just some of the many we feel capable of doing, awards that the City while others judge us by what received in the past we have already done."

Henry Wadsworth Longfellow

- The Wichita Police
 Department is at the forefront of outstanding customer service delivery. Last year, the Police Department received the prestigious Webber Seavey Award for Excellence in Law Enforcement.
- Housing Services has tremendous success with the various programs it offers. The Department has been recognized for outstanding performance by the Department of Housing and Urban Development (HUD). The Section 8 program was rated as a high performer in all HUD evaluations, while the City's HOME program was designated #1 in the state.
- Cowskin Creek Water Quality Reclamation Facility received numerous awards for its innovative design and collaboration with surrounding communities. A 2003 American City & County Crown Communities recipient, the facility was recently named the Kansas American Public Works Association Project of the Year in the \$10 million category.

- Several City facilities received awards of excellence from the Associated General Contractors of Kansas for excellence in their design and construction. Those facilities included the Alford Branch Library, the Old Town Square, the Water Distribution facility and the Wichita Art Museum expansion.
- For the 30th consecutive year (longer than any other governmental entity in Kansas), the City of Wichita received the GFOA Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City's Budget, Pension Fund Financial Report, Investment Policy, and Purchasing Practices were similarly recognized.

NEW BEGINNINGS FOR PUBLIC SAFETY

Protecting the lives and property of the citizens of Wichita is a core and fundamental

the "Law enforcement cannot succeedenty without the sustained — and of informed—interest of all citizens."

- Lyndon B. Johnson

service provided by the municipality through the outstanding service of the Wichita Police Department and the Wichita Fire Department. For many years the City of Wichita has followed a public safety initiative for service creation and delivery that put citizens first. Community Policing, a program that has established positive relationships between law enforcement and neighborhoods, is just one of the notable programs that are a part of the public safety initiative.

Homeland Security is also an important aspect of the public safety initiative. The City of Wichita continues to balance the issues of security and public access to our facilities. Providing secure facilities to the public will continue to be at the forefront of the City's priorities. The 2005-2006 Adopted Budget addresses this priority with the



addition of a Lieutenant in charge of Emergency Planning who will assume all the homeland security planning functions for the City.

Through a partnership with Wichita Public Schools, ten School Resource Officers (SROs) were reinstated in the 2004 Revised Budget (for a total of 22 SROs). The 2005-2006 Budget includes the continuance of that program contingent upon a cost sharing arrangement with Wichita Public Schools.



The budget also includes the reinstatement of a Captain in the Professional Standards division. This position is an integral part of the Department's efforts to increase responsiveness to citizens in evaluating and monitoring the quality of law enforcement services provided to citizens.

"Of all the tasks of government, the most basic is to protect its citizens from violence."

- John Foster Dulles

In addition, due to changing technology and the need to provide updated equipment to officers

in the field, handheld radios, car radios and mobile data terminals will be replaced for field service personnel. This will supply officers with the necessary equipment to assist in carrying out their duties.



New beginnings for the Wichita Fire Department were evident with the opening of five new fire stations in 2003, part of the 1999 Fire Station Relocation plan. The plan was designed to sustain the City's excellent city-wide 4:20 average response time at the most efficient cost.

To address fire service needs in east Wichita the Fire Department will begin a one-year pilot program to colocate with Sedgwick County fire fighters at County Station #38. The co-location allows emergency services to be available as soon as possible, in September 2004,

utilizing existing facilities. During this pilot program staff will be evaluate able to better emergency service requirements determine the and best permanent location for the efficient and effective deployment of emergency services on the far east side.

A significant accomplishment for the Fire Department is the prospect for saving more than \$800,000 in overtime costs this year by overfilling firefighter positions. At this time last year, the Fire Department had accrued on average more than 35,900 hours of overtime. Today, the

department has accrued just under 9,000 hours - a tremendous savings to taxpavers.

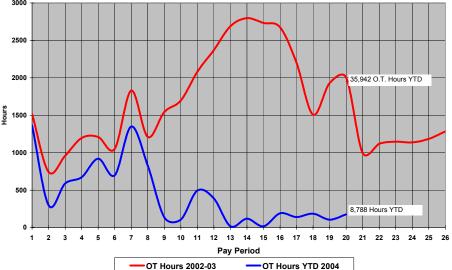
The Adopted Budget includes resources to modify the Fire Department's organizational structure to allow datadriven deployment decisions and provide even more efficient fire service. Included are resources (i.e., a position) to assist with effective development of emergency services.

Public safety also extends to the Municipal Court, providing service to thousands of citizens each year. The Adopted Budget includes \$180,000 to fund four Service Officer positions. Service Officers transport prisoners from the Sedgwick County Jail to the courtroom and facilitate the video court docket. The funding of these positions is necessary due to expiring grant funding. To offset a portion of the cost, several vacant positions have been eliminated.

For the past year, Municipal Court has operated a pilot program to assist willing defendants in complying with court-ordered fines. The pilot project has proven to be successful and the Adopted Budget includes two additional clerical positions to fully staff the Court Compliance Unit. The cost of this addition will be offset by an increase in collection revenues and a decreased dependence on contracting with the collection agency.

Municipal Court has established several services that have increased customers' access to information. Fine schedules are now printed on the back of moving

WFD Overtime Hours 2002-03 Compared with Overtime YTD 2004 3000





citations and the citations are issued with a return envelope. Drop boxes have been added to provide an additional payment option for uncontested fines. Drop boxes are located on the second floor lobby of City Hall as well as at all four Neighborhood City Halls, reducing the time citizens have to wait in line to pay their fines.

For defendants who do not fulfill their obligations to Municipal Court in a timely manner, the Court utilizes the assistance of a collection contractor. The City pays 19.5% of the collected amounts as a collections fee. A surge in amounts to be sent to collections is expected in 2004 and 2005. Additional collection fees of \$125,000 are included in the 2005 Adopted Budget and are offset by projected higher collection revenues.

The City continues to be an advocate for victims of domestic violence. An expenditure is included that will increase the domestic violence advocacy contract, which will include resources to assist the Advocate in better communications with the Municipal Court, Police and Law departments. In addition, the victim rights contract will be increased in order to retain the services of the current contract vendor.

NEW BEGINNINGS FOR THE DELIVERY OF INFORMATION

Information Technology has changed greatly over the years and the need to provide information faster and easier has increased. Due to the ever-growing importance of technology, the Division of Information Technology/Information Systems became a separate department as a demonstration of the City's commitment to providing citizens with the most information possible in

"You on the cutting edge of technology have already made yesterdays impossibilities the commonplace realities of today."

the fastest, most reliable and secure manner.

- Ronald Reagan

IT/IS made

tremendous strides in infrastructure and applications for business processes. Wireless Internet access and business centers were established at Mid-Continent Airport; E-golf was implemented at all municipal golf

courses; and the "My Wichita" subscription service was launched. "My Wichita" is an optin service instead of a text message enewsletter where the



subscriber receives an email notification when the information they requested is updated.

Another popular application that was launched this year was the accident reports online service. Since its rollout in March, this service has been very beneficial to citizens, reducing the amount of time it takes for the receipt of accident reports.

The meetings of the Wichita City Council are currently broadcast on the City's government access channel, Cable Channel 7. To provide more citizens access to view the meetings and stay abreast of the issues before the City Council, the 2005-2006 Budget includes development of streaming video. Streaming video will give those individuals outside the broadcast area, or those who do not have cable access, the ability to view the City Council meetings via the Internet.

Additional applications will be launched in upcoming months. The applications that have been requested most by citizens include programs that will allow for payment of water bills, traffic and parking fines online by credit card. These programs will be active by the end of this year. In addition, citizens will be able to conduct record checks online. The "My Wichita" service will also be expanded to include crime information and floodplain information, as well as other services.

The 2005-2006 Budget includes funding for a wireless network feasibility study that would study ways employees could access the information needed in the field, reducing time lost



from travel to and from City Hall. The use of information kiosks is also introduced in the budget, giving employees who are not on the City's computer system a way to stay abreast of information through the City's Intranet and Internet.

Several departments propose the use of wireless technology to assist in their operations. The Office of Central Inspection projects that 22% of inspectors' time

"The new electronic independence recreates the world in the image of a global village."

- Marshall McLuhan

is collectively spent transferring inspection data to computer applications. With the resources of mobile wireless technology, that time would be decreased as proven through last year's pilot program purchase of 16



remote inspection units. Due to the success of those units, OCI will purchase additional units for field personnel.

For years, Police and Fire personnel have utilized Mobile Computer Terminals (MCTs) in emergency vehicles. New MCTs are needed due to the age of the existing units. Funding for maintenance on new MCTs is budgeted in 2005. Later this year, in coordination with Sedgwick County, both departments are scheduled to replace 278 in-vehicle laptop computers.

Another aspect of wireless technology is the Wireless Mobile Data Service Air Card proposed for use by the Water and Sewer Department. An air card is a plug-in wireless data transmission device that allows the use of laptops for data entry and retrieval in the field. The use of air card technology for system planning, water distribution and sewer maintenance staff will greatly enhance productivity and provide support for the core mission of the Department. The air card technology will also create better customer service response, reduce overtime and allow the City to avoid contracting with a private firm to input water infrastructure information.

The City is proposing several initiatives that will reduce the length of time citizens wait for information or service. The Municipal Court will establish an Interactive Voice Response (IVR) system to make it easier for customers to take care of court obligations. Currently, Municipal Court receives an average of 1,300 calls each day. The new system will reduce the call abandonment rate and provide callers with easily accessed, detailed information about their case, including the ability to pay their fines. The Department of Environmental Health handles between 300 and 400 telephone calls each day, with a majority of the calls received during the early morning or late afternoon hours. The Department has recommended conversion to an Automatic Call Distribution (ACD) system that will allow for additional proficiency in routing citizen requests for information and service and allow for future implementation of an IVR system.

NEW BEGINNINGS IN SERVICE DELIVERY

Providing service to the community is the primary goal of the City of Wichita. However, the definition of

"Well done is better than well said."

- Benjamin Franklin

service varies from citizen to citizen. For some, service is providing safe roads to travel on. For others, service is providing affordable public transportation or housing.

The City of Wichita strives daily to meet the service needs of all of the citizens of the community.

The Housing Services Department works to meet the needs of low-income citizens seeking the goal of homeownership or rental assistance. The Department offices will soon undergo renovations to centralize the Section 8 offices into the Housing Services offices along with creating a more efficient administrative function, increased parking for the disabled, and the creation of more resources for the department as well as tenants. In addition, the Department will develop a strategic plan, in partnership with the Housing Advisory Board, to address the need for affordable housing in the community. The plan will include strategies to increase public-private financing partnerships and increase mixed-income residency projects.

The **Wichita Public Library** continues to be one of the City's most well attended venues. Each year thousands of citizens patronize one of the City's 11 library branches. In order to continue to provide an exemplary level of service to citizens, the Adopted Budget includes moderate increases in various library fines and fees, many of which have not been adjusted for decades. Additional fees are included for lost cards, processing and late charges. Non-paid fines in the amount of \$25 or greater will be sent to a contracted vendor for collections.

Providing service through the protection of the City's natural resources is the charge of the **Department of Environmental Health**. The Department is increasing emphasis on food safety enhancements, adding a Food Protection Inspector. With the additional inspector, the number of inspections of restaurants and other food service establishments will increase, thereby increasing

compliance levels. The position is funded from the State's food program revenue which requires the resources to be directed to food protection activities.



Due to a limitation on funding provided by the Kansas Department of Health and Environment (KDHE), field positions that were currently funded by the Local Environmental Protection Program (LEPP) grant are included for funding through the General Fund. The grant is awarded to Sedgwick County who subcontracts



with the City to provide water quality activities. It is anticipated that these funds will not be available in 2005, but due to the importance of the programs and the revenue that could potentially be lost, the Adopted Budget includes funding for three public health sanitation positions and the associated costs.

One of the City's newest facilities, the Wichita Area Treatment Education and Remediation (WATER) Center is educating citizens on the effects of groundwater contamination. The facility houses a hydraulic-venturi air stripper treatment system for cleaning contaminated ground water, and is designed to encourage public interest in how ground water is remediated. School groups and civic organizations are just some of the groups who have been visitors to the WATER Center.

The Adopted Budget consolidates water quality and environmental resources education under the Department of Environmental Health. One Resource Analyst position from the Department of Public Works is dedicated to water conservation education programs. This position is funded by the Water Utility and will be housed at the WATER Center.

Public transportation is one of the most visible services provided by the City and Wichita Transit is currently experiencing an 11.9% increase in ridership. Manual fare boxes have



been replaced with electronic validating fare boxes increasing revenue, reporting accuracy, tracking capabilities and security. Wichita Transit provides paratransit service to hundreds of citizens in the community. The Americans with Disability Act (ADA) has loosely defined the parameters for inclusion in the program. Transit organizations across the nation are now establishing re-certification programs that ensure that individuals who are utilizing the para-transit services are those who truly need it. A request for proposal has been issued for a third-party vendor to conduct the recertification exams and Wichita Transit will work in conjunction with the vendor and the Mobility Advisory Board to ensure success.

The **Water and Sewer Department** continues its efforts to improve service delivery. Revenues for the Water and Sewer Utility are expected to increase to nearly \$69 million in 2004 from \$63 million in 2003. The increase is

due primarily to rate increases approved last year. Water rates increased by 3%, and an additional 4% increase was included for taste and odor control. Sewer rates were increased by 3%. In response to seasons of algae blooms at



the Cheney Reservoir, which caused frequent taste and odor events, a control plan has been implemented with much success. Phase one of the control plan utilized powdered activated carbon to reduce the severity and frequency of taste and odor events. The Water and Sewer Department is now preparing for phase two of the plan, which calls for the design and installation of ozonation equipment, which will clean the water supply and further reduce taste and odor events.

While the issue of taste and odor is on the decline, the concern caused by the potential for zebra mussels at Cheney Reservoir is increasing. The Department requested funds for a zebra mussel evaluation at the Cheney Pump Station for the development of a strategy to control this problem that is affecting lakes throughout the country.

To create a more efficient tracking of hazardous materials, a clerical position has been included in the **Department of Public Works** *Building Services* operation to track refrigerants and hazardous materials for EPA and KDHE compliance and reporting. The Building Services budget also restores funding for supplemental building maintenance.

The City's *Fleet* inventory is an investment that must be maintained on an ongoing basis. The Adopted Budget includes funding for capital equipment replacement increasing to \$2.8 million in 2005 and \$2.9 million in 2006. The budget also includes funds for the replacement of aging fuel pumps and installation of equipment to electronically track fuel usage. Fleet rates for all operations are increased by 1% in both 2005 and 2006 to offset increased expenditures.

Another new initiative for the Department of Public Works is included in the *Engineering Division*. The new initiative calls for the addition of staff for construction inspections to improve the City's responsiveness to inspection needs of developers, builders and homebuyers to eliminate unnecessary downtime and delays in construction projects. Costs for the addition of staff are expected to



be offset through a reduction in the number and amount of supplemental agreements for construction inspections.

After first satisfying the KDHE post-closure financial liability requirements for Brooks Landfill, the Adopted Budget includes an annual transfer of \$845,520 to the General Fund. Funds are anticipated to be available for transfer due to interest earnings and the continuous decrease in closure and post-closure liabilities.

More individuals are flying than ever before. Wichita Mid-Continent Airport numbers have set records throughout 2003 and 2004. Since the inception of the Fair Fare\$ program in 2001, passenger volume has jumped nearly 27%. While passenger traffic has continued to rise with Fair Fare\$, ticket prices have steadily fallen. Conservative estimates state that passengers have saved \$85 million on airfares since low-cost airlines AirTran Airways, Frontier JetExpress and Allegiant Air entered the market. With that success, marketing efforts have now centered on making the state's largest airport the first airport citizens think of for

their business and personal air travel. Funding is included in the Adopted Budget to implement advertising and marketing initiatives for the Airport as well as for AirTran.



Due to the increased number of passengers, Airport revenues are growing. It is expected that rental income will grow by 4% due to rental growth from the renegotiations of several contracts in 2003 and 2004.

NEW BEGINNINGS IN HUMAN RESOURCES

A series of new beginnings in 2004 are marked with the

addition of new staff that will fill several key positions within the organization. I began employment as City Manager in July.

"The greatest value in the world is the difference between what we are and what we could become."

- Ben Herbster

One of the tasks at hand is the appointment of several key Department Directors and Division Heads. Key positions currently filled by interims are Finance Director, Public Works Director, Personnel Director, City Engineer, Government Relations Officer, and Risk Manager.

The Budget includes health insurance rate increases of 20% in 2005 and 15% in 2006; however, based on recent contracts, actual rates will be considerably lower. The Adopted Budget retains the current employment contribution of 80% in both years. Pension Management is also undergoing new beginnings. The budget includes \$600,000 from Pension funds to fund a new pension computer system. The current system is proprietary, obsolete, and maintenance support is no longer available. Pension funds are actuarially funded in excess of 100%, providing increased benefits and lower rates.

The City's Personnel Department will continue to conduct employee training and customer service development. In addition, annual training for Municipal Court judges, reduced in previous budgets, has been reinstated.

The use of seasonal contract labor has reduced the City's worker compensation costs allowing a decrease in rates for the Park Department. The savings is approximately \$160,000 and is reprogrammed within the Park budget to improve maintenance.

A survey developed by the American Federation of State and Municipal Employees showed that more than two-thirds of state government HR Directors indicated that they would like to change their state's salary and classification systems. The survey found that:

- HR Directors believe that their states have far too many job titles;
- There are too few employees per job title; and
- Classification and compensation systems are antiquated.

Over the years the City of Wichita has seen these same issues with 455 job titles with an average of 3-6 employees per title, and an exempt compensation system that is more than 12 years old. In order to address these concerns, staff has proposed a new system known as broadbanding. Broadbanding refers to the adoption of a job classification structure with significantly fewer classifications than a traditional system. Under a typical broadbanding plan, jobs are grouped into broad occupational families, based on similarities in attributes such as the tasks performed, required skills, career progression, increased responsibilities, and work processes. These groups form the basis of new. "broader" classifications. The combining of job classifications reduces the number of pay grades and increases the range between the bottom and top rates of remaining grades.



NEW BEGINNINGS IN INFRASTRUCTURE

A strong infrastructure is the lifeline for a community's development and is strongly linked to its success in economic development. An infrastructure

"The future influences the present just as much as the past"

- Friedrich Nietzsche

network is needed to support all of the activities that a community offers its citizenry. The City is charged with providing, financing and maintaining the infrastructure necessary to sustain urban life in a modern city.

One of the most important and far-reaching infrastructure projects currently underway is the Kellogg Expansion Project. Construction concluded this year on the West Kellogg Expansion project. Current East Kellogg Expansion projects are slated for completion in the fall of 2005. Whether working on the East or West Kellogg Expansion or removing snow and ice during inclement weather, the Department of Public Works is dedicated to ensuring that streets are maintained, potholes are filled and services are provided to all areas of the City including newly annexed communities. The result of these transportation improvement and maintenance efforts is that Wichitans enjoy the second-shortest commute time of 68 large cities surveyed by the U.S. Census Bureau (and the second shortest commute time in the 2003 survey).



A new initiative in Street Maintenance is the formation of a Crack Seal Crew. This five-person crew will increase preventative maintenance efforts by sealing more than one million lineal feet

of cracks each year. Equipment needed for preventative maintenance operations is included in the 2004 Revised Budget, which will enable equipment to be in use by early 2005. In addition, \$600,000 has been restored to the Street Maintenance budget that was previously deferred due to State cuts in funding to local governments. The funds will be used for road maintenance projects through the Contract Maintenance Program.

Street maintenance is also charged with the daunting task of keeping City arterials clean and safe during inclement winter weather. The Adopted Budget includes an additional \$300,000 for snow and ice removal materials. The additional resources will more accurately reflect the City's average annual expenditures for snow and ice operations.

The City is placing more emphasis on the maintenance of its green space. The City will soon designate a preferred developer for portions of the South Lakes Sports Complex. This move will allow the reassignment of Park maintenance crews from this venue, effectively enhancing Park maintenance resources in other areas by \$240,000. This amount, along with the reassignment of \$160,000 from workers compensation savings will create an additional \$400,000 for Park maintenance activities. Park staff is also negotiating with a preferred developer for the Northeast Sports Complex.

The City of Wichita is working in partnership with the consulting team of EDAW Inc. (a Denver-based Planning firm) to create a definitive vision, comprehensive future land use revitalization concept and strategic action implementation plans for targeted segments of the 21st Street North Corridor located between Hillside and Amidon, including the north central industrial area. The study area generally encompasses Hillside Street to the east, Amidon Street to the west, 20th to 22nd Streets and a larger north-south area that extends between 17th and 33rd Streets from Broadway to I-135. The Metropolitan Area Planning Department has "Long-range planning facilitated the planning of the does not deal with 21st Street North Revitalization future decisions, but Plan and is working in concert with the future of with the community and affected present decisions." stakeholders in its efforts.

- Peter Drucker

Wichita Mid-Continent Airport recently celebrated 50 years of service to the community and the state. Due to the age of the facility and the increase in passengers utilizing the Airport, Wichita Mid-Continent is preparing for future structural changes. A revised Master Plan and a new Terminal Study are expected to be completed in 2004. Key recommendations of these plans are likely to

include infrastructure improvements which will require additional debt repayment. Currently the Airport is well-positioned to finance additional capital projects, as bonds issued in the early 1990's are retired. Additionally, the Airport paid cash for 2003 capital projects, further enhancing



future debt repayment capability. Currently, the Airport is in excellent financial condition to finance additional debt service. The Airport has also positioned itself to take on this debt by paying for projects with cash in 2003.



NEW BEGINNINGS IN CULTURAL TOURISM

The arts are extremely viable aspect of the quality of life for a community. From a variety of museums, to

"This is the best day the world has ever Tomorrow will be better."

- R.A. Campbell

music theatre, to opera, to the symphony, Wichita is a cornucopia of outstanding artistic outlets. Recently an Arts Task Force, appointed by the City Council, held public meetings regarding the structure and funding of art organizations.



Funding for CityArts, the Boathouse and the subsidies provided to various cultural agencies has been consolidated to a Cultural Arts Division. These functions will move from the Park and Recreation Department budget to the General Government budget to consolidate and enhance internal coordination of cultural efforts.

Tourism is alive and well in Wichita. In 2004 many conventions were held throughout the City, including the Women's International Bowling Congress. Century II is a vital aspect of the City's tourism initiative. Department of Park and Recreation recognizes the need for Century II to purchase a ticketing system that will facilitate ticket sale operations. With this system, Century II will be able to sell tickets, manage facilities and events, and provide a way for resident companies to do the same in addition to managing their donor funds and client

This ticketing information. system will be accessible online to increase opportunities for customers to purchase tickets. The system will also be an opportunity to promote tourism and will assist other organizations and attractions in the management of events held at City-owned facilities.



NEW BEGINNINGS IN ECONOMIC DEVELOPMENT

As the largest city in the "There is nothing like a dream state, Wichita is the business and industry center of Kansas. There

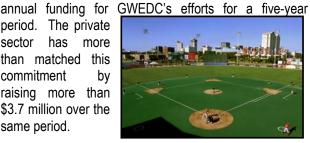
to create the future.'

- Victor Hugo

are encouraging signs on the economic horizon that

Wichita's economy is beginning to recover from one of the worst downturns in recent times. While our economy is more diversified than many think, the recent downturn has brought home once again the need to further diversify through aggressive economic development efforts. The City of Wichita has strengthened its already strong commitment in this area by joining with Sedgwick County, the Wichita Area Chamber of Commerce, the Regional Area Economic Partnership (REAP) council of governments and the private sector to create the Greater Wichita Economic Development Coalition (GWEDC). The City and County have each pledged \$250,000 in

period. The private sector has more than matched this commitment bγ raising more than \$3.7 million over the same period.



As part of working with GWEDC to expand and retain existing businesses and recruit new businesses to the Wichita area, the City will continue to play a lead role in providing various financial incentives to businesses. The City will augment traditional incentives like industrial revenue bonds and tax abatements with newer tools such as tax increment financing, STAR bonds and forgivable loans. These efforts will be tied to the creation of quality iobs.

The City also remains committed to the revitalization of the City's downtown area and other economically distressed areas of the City. The City has entered into a public-private partnership for the redevelopment of the east bank of the Arkansas River, south of Century II. The new \$120 million Wichita WaterWalk project will provide a high-quality destination for downtown shopping, office space, apartment living and tourism. The City will spend \$28 million on land, site work, infrastructure and

construction of a scenic waterway. Demolition work is underway and substantial construction work will begin in early 2005. Build-out of the area is expected to continue through 2010.



One of City's newest efforts in economic development is the establishment of three new small business loan



programs that are especially marketed to minority and women-owned businesses. The Wichita Bizloan Program is a joint effort with several local banks in which the City's participation is in the form of a HUD Section 108 loan. The City has also teamed with the South Central Kansas Economic Development District to backstop its microloan program. The newest program is being developed jointly with the Wichita Technology Corporation, a local business incubator, to make royalty-based loans to start-ups and higher-risk businesses that cannot qualify for other programs.

The Adopted Budget increases the transfer of funds from the General Fund to support various economic development incentives. This transfer supports such economic development programs as the Cessna Citation Center and a one-time low airfare support amount of \$2.5 million for AirTran approved by the City Council in 2004.

NEW BEGINNINGS IN PARTNERSHIPS

It is difficult for one government agency to meet the needs of its community through the sole use of its resources. Many times, partnerships are entered into to enhance service delivery and

"Your own safety is at stake when your neighbor's wall is ablaze."

- Horace

facilitate new initiatives and programs. The City of Wichita has many community partners and appreciates the efforts of each one to make Wichita a great city.

Efforts are underway to create a co-located facility for the Department of Environmental Health's Animal Shelter and the Kansas Humane Society. Funds have been dedicated in the Capital Improvement Program for the City's share of the facility and the Kansas Humane Society has raised private donations for its share. The co-location of these facilities on the same site will increase efficiencies in both organizations while increasing resources available for pet health and safety and animal control.

The City is currently collaborating with Sedgwick County on two efforts involving McConnell Air Force Base. The



first is an effort to keep McConnell off the list of pending base closures. This effort is facilitated through contract lobbying efforts also funded by the State and other affected

communities. For south-central Kansas, this effort is supported by the State of Kansas, the City of Wichita,

Sedgwick County, and the City of Derby. The elected officials representing City and County governments recognize that the continued operation of McConnell Air Force Base is important to the local and regional economy, and its future operational and mission capacity should be protected.

In late 2003, the City Council along with the Sedgwick County Board of Commissioners and the Derby City Council passed resolutions supporting joint participation with McConnell Air Force Base in the development of a Joint Land Use Study (JLUS). The purpose of the JLUS is to coordinate future planning efforts of base operations and those of the surrounding local governments. Based upon a joint, cooperative military and community planning initiative, recommendations will be developed to prevent urban encroachment, safeguard the future mission opportunities for the Base and protect public health, safety and welfare. The need for this study was initiated in response to the change in the Base's mission from B1's to KC-135's and the corresponding revisions to the AICUZ (Air Installation Compatible Use Zone) noise contours that will soon be released by the Department of Defense.

REVENUES AND EXPENDITURES The Financial Picture

Budgeted revenues for 2005 of \$364,818,870 are derived from several major sources. Certain major revenue categories (e.g. special assessments and gas tax) are legally dedicated resources and can only be used to offset specific expenses. Total revenues are exclusive of internal services, fiduciary funds, enterprise construction and interfund transfers (eliminating double counting and co-mingling of operating and capital funds).

2005 TOTAL REVENUES \$364,818,870



The City's revenue picture reflects years of effort to diversify its funding sources. While the City's revenue base remains diverse, the impact of the downturn in the economy and cutbacks in State aid (especially the



elimination of demand transfers) has reversed the trend somewhat, increasing reliance on the property tax as a revenue source to fund basic municipal services.

The mill levy required to finance the 2005 Adopted Budget is 31.905 mills, no change from the levy requirement for the adopted 2004 Budget. The mill levy is divided between the General and Debt Service Funds:

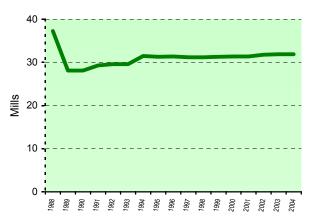
FUND	LEVY
General Fund	21.905
Debt Service Fund	<u>10.000</u>
Total	31.905

On a comparative basis with the 24 other first class cities in Kansas, Wichita remains below the 38.7 mill average. When compared with the 26 other cities within the Wichita Metropolitan Statistical Area (MSA), Wichita's levy also compares favorably with the average of 47.25 mills for combined municipal and/or fire district services.

[Note: Averages are based on 2003 tax levy information and may change as other cities adjust for 2004 tax levies to fund 2005 budgets.]

Assessed valuation is the measure of property values for taxation purposes. The County's preliminary estimate of assessed valuation is \$2,539,713,986, an increase of 3.28% over the previous year. Final assessed values are set (by the County) after the City's budget is adopted.

1988 to 2004



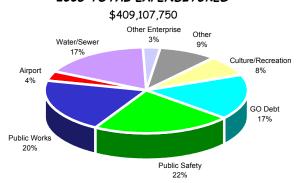
The mean value of a home in Wichita is \$95,530. City property taxes annually will amount to \$351 per year, or \$29.21 per month. A family of four will likely spend about as much (or more) per month for cable television, telephone service, Internet service, or one family trip to

the movies. These comparisons serve to emphasize the <u>value</u> represented in municipal services. For their annual City property taxes, citizens are provided vital police and fire protection, streets, parks, libraries, and a myriad of other services.

In lieu of a tax lid, the State Legislature imposed a stipulation that the City, by ordinance, acknowledge any growth in General Fund spending based on an increase in property taxes not derived from new development, increased personal property valuation, annexation, or change in use. The estimated amount of increased property tax revenue is \$86,210.

Adopted 2005 expenditures total \$409,107,750 for all funds. Increases are primarily the result of higher wage/benefit costs (especially health insurance), the landfill closure remediation contingency, taste and odor control initiatives in the Water Utility, maintenance enhancements and increased activity in the tax increment finance (TIF) operations. Discounting the aberration of the landfill closure contingency, expenditures increase less than 2% in 2005. Expenditures by program/service groups are summarized in the chart.

2005 TOTAL EXPENDITURES



Total revenues and expenditures are aggregated and reported to show a combined budget picture. In practice, each fund is a discrete, separately certified budget.

GENERAL FUND

The General Fund is the largest of the City's operational funds, accounting for nearly 40% of the total City budget. Pubic safety, public works, parks and recreation, health, libraries, local property tax subsidies for transit, and general government activities are the principal programs supported by this fund. The General Fund is one of two major funds that rely upon the ad valorem property tax as a major revenue source.

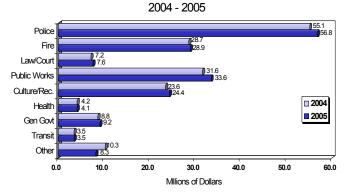


Overall, General Fund revenues are projected to be 2.5% higher in 2005 than 2004, but 2004 Revised Budget revenues will be 9.5% higher than in 2003. The Adopted Budget had assumed 7% growth. The remarkable growth in 2004 is somewhat due to rebounding from the 2004 unusually poor performance in 2003; that is, the percentage growth may be largely due to how abnormally low the base was. Still, exceptionally strong growth in assessed valuation was a major factor. Additionally, the Fund benefited from significant one-time revenues in the form of reimbursements or unexpected revenue. The chart below identifies the primary areas of growth in the current year.

General Fund Revenues		
Property tax (assessed valuation)	\$4,110,830	
Local sales tax	1,562,300	
Charges for services and sales	1,384,980	
Franchise fees	1,095,260	
Prior years' delinquencies	589,600	
License and permits	554,410	
Fines and penalties	365,000	
Motor fuel taxes	280,090	
One-time/windfall	2,296,080	

The General Fund is balanced for 2005 at \$168,651,870 in revenues and expenditures. The chart provides an overall picture of the allocation of General Fund expenditures by general category. It reflects policy priorities in the General Fund emphasizing public safety, infrastructure, and cultural/recreation services.

GENERAL FUND EXPENDITURES



The adopted budget accommodates increasing costs in a number of operating areas. Salary improvements for merit increases and 1.5% each year for general pay adjustments (GPAs) are included. The budget also includes increases for health insurance and other benefits, rising fuel costs and inflationary pressures in several areas. In balancing the General Fund budget, many options for supplemental requests were filtered out to allow only the highest priorities to be included in the

Adopted 2005-2006 Budget. Much of the added expenditures were restorations of cuts made in the previous two years. Highlighted below are some of the items added in the Adopted Budget.

2005 General Fund Expenditures Significant Increases		
Economic development incentives	\$1,000,000	
Contracted street maintenance	600,000	
Park maintenance (reallocated savings)	400,000	
Century II ticketing system	300,000	
Building maintenance	238,000	
Street maintenance crew	220,000	
Mobile computer terminals (P&F)	220,000	
Local Environmental Protection Program	150,000	
Service Officers (Municipal Court)	150,000	
School Resource Officers (net cost)	260,000	

There are three areas of primary concern in the proposed budget: 1) salary assumptions; 2) the reliance upon one-time revenue; and 3) the reliance upon planned savings.

Assumptions for General Fund cost of wage increases are probably too low. The assumption of 2% was lowered to 1.5% by City Council directive following the March Financial Plan presentation. The 2004 Adopted budget had assumed 1.5% GPAs, and that assumption proved too low. As pf this writing, negotiations with the Fraternal Order of Police concluded in September, resulting in an annual GPA of 3% each year in 2004 (retro actively), 2005, and 2006. A similar contract is anticipated for the International Association of Fire Fighters (IAFF), and also for other bargaining units in 2005 and 2006.

The current year budget includes more than \$2.4 million of non-renewable revenue in the General Fund. The Adopted budget incorporates almost \$1.6 million. Revenue items such as proceeds from the sale of land, repayment of prior years loans from other funds, closing completed grants, and vehicle insurance holidays are one-time measures that are not available to sustain ongoing operational costs.

The 2005 Adopted Budget assumes almost 2% in Planned Savings (underexpenditures), roughly \$3.4 million. This is nearly twice the amount assumed in the 2004 Adopted Budget. This will require a heightened level of management effort to "force" savings by holding positions vacant, deferring capital equipment of marginal need, etc. If revenue forecasts turn out to be too optimistic, the pressure to force savings will be even greater.



OTHER FUNDS

The Budget includes revised estimates of current year revenues and expenditures. The procedure of revising the budget is an important element of effective financial management, designed to provide an updated estimate of trends in the current year and to improve budget development for the next year.

Generally, revised budgets remain within the previously adopted budget levels for each fund. Occasionally, revised estimates resulting from changing needs, or City Council actions, mean an increased expenditure level and require a re-certification of the budget.

Enterprise Funds

Water and Sewer operations are projected to require moderate rate increases necessary to meet capital investments (4% and 3%, respectively). The taste and odor initiative approved earlier this year will require the Water Utility Fund to be re-certified to accommodate a significantly higher expenditure authority. A previously scheduled increase of 5¢ in Storm Water ERU rates continues to be factored into the 2005 Budget, but the proposal to add an additional 8¢ to offset a public safety fee is not included. The Golf Fund includes a proposal to internally refinance existing debt by extending the term of repayment to the Debt Service Fund, assessing interest to the Golf enterprise on any unpaid principal.

Special Revenue Funds

A 10% discount on Central Inspection fees was discontinued late in 2003 in order to maintain a three to four month operating reserve. Higher than expected Transient Guest Tax revenues will allow a modest increase for convention/tourism support, but will also require that the C&T Fund be recertified in the current year. The Economic Development Fund is another special revenue fund that will have to be recertified. The addition of the AirTran subsidy and an increase in the General Fund subsidy for additional development incentive opportunities have created the need for greater expenditure authority. Revenue into the SSMID Fund is greater than the amount certified and the Downtown Development Corporation would like to have the additional revenue provided to them this year.

Internal Service Funds

A (one-time) vehicle insurance rate holiday is included for 2005 as part of a one-year stopgap expenditure reduction effort. A revised IT/IS rate structure has lowered technology costs per user to reduce expenses overall;

however, new technology initiatives (such as public safety MCTs and a wireless network) as well as greater technology penetration into the organization (as evidenced by more user accounts and applications) create costs that more than offset the revised rates.

2006 PROJECTED BUDGET

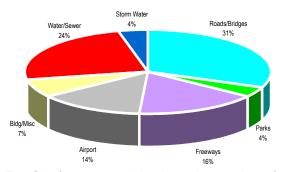
The 2006 Budget projection of \$371,892,380 does not include \$27 million for the Landfill Post Closure liability. That liability is budgeted in 2005 should it be required. That is not likely, causing it to be re-appropriated in 2006. Adjusting for this anomaly, the projected budget represents a 2.5% decrease from 2005. Increases in wage and benefit costs are offset by lower TIF district and debt service expenses.

The General Fund is projected to increase in 2006 to \$173,387,910, a 2.8% increase over the 2005 Budget. The projected increase is due to budgeted increases in employee wage and benefit costs, and restoration of some maintenance resources. The 2006 General Fund is projected to modestly draw down cash reserves.

CAPITAL IMPROVEMENT PROGRAM

The ten-year Capital Improvement Program totals approximately \$1.5 billion. Revenues to finance the capital program include: Property Taxes (19%), Local Sales Tax (10%), Special Assessments (8%), Grants (23%), and Enterprise Fees (36%) from airport, water, sewer, storm water, and golf, and Other (4%).

2004-2013 Capital Improvement Program \$1,509,434,000



The City finances capital projects in a variety of ways: general obligation bonds/notes, revenue bonds, grants, and cash. The most significant of these are General Obligation (GO) bonds based on the full faith and credit of the City. GO bonds provide debt financing not only for property tax-funded projects but for capital improvement projects where debt service payments are paid by City enterprises (e.g., Airport, Golf, Storm Water). Based on Generally Accepted Accounting Principles (GAAP), the



debt service payments for General Obligation (GO) debt are spread either to the Debt Service Fund or the various enterprise and internal service funds, as appropriate.

The City maintains a high-grade (AA) bond rating. Further, the City demonstrates prudent debt practices under State law with City debt well below the legal debt margin at only 33% of the actual legal margin.

Projects are primarily initiated in the departments of Public Works, Water and Sewer, Park, Transit and Airport. The Program includes funding for freeways, arterials, bridges, public facilities, utilities, parks and other amenities.

Debt Service Fund

The Debt Service Fund pays expenditures related to most of the City's General Obligation debt. The first obligation of the Debt Service Fund is to make all debt service payments on existing City bonded indebtedness. Based on revenue estimates and assuming a constant property tax levy (10 mills), the remaining resources of the fund are used to assume debt obligations for new capital projects. Funds not required for long-term debt are used to pay for capital project expenses in the form of temporary notes that are retired in the same year (e.g., "pay-as-you-go" financing).

The Debt Service Fund is positioned to support both existing debt and finance new capital projects. Cash reserves of the fund will be reduced to \$3.5 million by 2005. While this reduction is substantial, the target level of reserve for this fund is not-to-exceed 5% of annual expenditures. The fund is stable as to revenues and most expenditures are incurred late in the fiscal year. A review of the CIP is currently underway. Revisions to the capital budget will be submitted to the City Council in August.

Local Sales Tax (LST) Capital Projects

Since 1985, the City has set aside one half of all local sales tax proceeds, estimated at \$21.4 million for 2004 and \$21.9 million for 2005, to support the transportation capital program, with a principal emphasis on freeways. Major LST-funded projects currently underway or recently completed include freeway segments on Kellogg/US-54 at Tyler/Maize on the west and Woodlawn and Rock Road on the east; the Central Rail Corridor; and \$6 million annually (through 2010) on arterials. Following completion of the projects underway, local sales tax resources will have to be re-evaluated to assess financial capacity for any additional new projects.

RESERVES

Each of the funds in the City's budget has a separate cash balance position. The cash reserve position of the General Fund is projected to be approximately \$14.7 million unappropriated reserve and \$6 million appropriated reserve by year-end (2004) or 12.6%. The City Council has approved a policy stating the City will not drawdown reserves in excess of 10% of expenditures. This reserve provides a margin to cover an unforeseen shortfall in anticipated revenues, unexpected expenditure requirements, one-time expenditures, or support for future year costs without a property tax increase.

The General Fund cash reserve (in total) represents 12.6% of 2004 expenditures. It is noted that even if the reserve is maintained at the same dollar amount, it will decline as a percentage of expenditures in the coming years. Unknowns remain on the horizon for the City's budget in terms of its economy. The Wichita economy is beginning to show signs of recovery, but continues to face significant long-term challenges.

The cash reserve position of the Debt Service Fund is projected at 5%. The reserves of other funds vary as necessary for the specific circumstances of each fund. Cash reserves are appropriate and necessary for a variety of reasons:

Revenue Volatility	Funds relying on revenues that may vary significantly due to economic or other conditions (e.g., weather) will need higher cash balances than those funds relying on more stable revenues.
Timing of Cash Inflows/Outflows	When either receipt of income or the payments for obligations are less predictable or subject to significant fluctuations, relatively higher levels of cash reserves may be necessary to maintain liquidity.
Contingency	An unencumbered cash balance provides financial resources to meet most unforeseen contingencies and liabilities while avoiding the necessity of tax/rate increases or use of "no-fund" warrants.
Legal Requirements	Some funds may have legal/ regulatory constraints as to either minimum or maximum cash reserve levels, or a contractual obligation governing cash balances (e.g., bond covenant).



The cash reserve position is also a significant factor evaluated by bond rating agencies assessing the financial strength of a community. Cash reserves, both as to level (dollar and percentage) and trend (whether reserves are increasing, decreasing or stable), mirror the continued ability of a city to meet its obligations and the willingness of local elected officials to set tax rates commensurate with requirements for a balanced budget.

The classic definition of a balanced budget is when annually recurring revenues offset annually recurring expenditures. In some funds, expenditures are occurring at a higher rate than revenues, creating a budget imbalance and net reduction in cash reserves. This funding strategy is possible only for a limited period of time if reserves are above target limits. As reserves decline, it will be necessary to restore a balance through expenditure reductions, increases in revenues, or both. Precipitous declines in reserves would not be prudent management, nor would such action be recommended. Utilizing the City reserves to balance the operating budget without reducing expenditures, would be shortsighted and not be in keeping with past management practices. The State of Kansas has struggled mightily in recent years because State decision-makers were not realistic in assessing their financial circumstances and then late in responding, magnifying their problems. The City has a small window of time to make budget adjustments, but realistic actions must commence sooner rather than later.

IMPROVING OPERATIONS

The City's efforts do not start and do not end with approval of an annual budget. It is necessary to put into place the means to ensure that taxpayers receive the maximum value in programs and services for each tax dollar spent. During the course of each year, City staff continues to focus on ways to reduce costs and improve services. Continuing improvement efforts have led to restructuring of fleet operations, field maintenance, technology support, and services to the public through Neighborhood City Halls. In light of the economic downturn, transformation efforts have intensified to restructure City operations for lower costs, releasing monies for new priorities, while maintaining high service levels. Significant transformation efforts are continually under consideration:

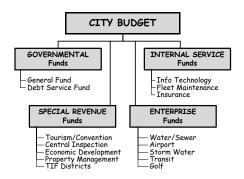
 Operational Re-engineering – Efforts to produce costsaving organizational changes while maintaining or enhancing efficiency and effectiveness.

- ► Consolidation Review of City programs and services to determine if redundancies exist, and where consolidation can produce cost-savings.
- ► Privatization/Outsourcing Competitive pricing of government services, to ascertain those services best and most economically provided by City departments and where private companies are better able to provide a lower cost service.
- Application of Technology A continuing effort to use new technologies to lower costs and enhance public programs and services.

BUDGET PROCESS

Fund Structure

The City does not have one budget but many funds, each of which is a discrete, legally separate budget. Only two funds, the General Fund and Debt Service Fund, include the property tax as a direct revenue source supporting fund expenditures.



Financial projections are tailored to each fund. Estimates and patterns of revenues and expenditures will vary by fund based on each fund's circumstance.

Citizen Input on Budget Priorities

The 2005-2006 Adopted Budget addresses issues raised by the citizens of Wichita. As a part of the ongoing budget development process, Budget staff conducts multiple education sessions on the City's annual operating budget throughout the year. Sessions are provided to various citizen groups, including the Citizen's Academy, neighborhood associations, leadership councils, select citizen task forces, schools, and especially District Advisory Boards (DABs). The sessions provide an overview of the City's budget development process, a review of historical information and current trends, and a preview of upcoming budget issues.

CM-16



A citizen survey is often distributed at these budget presentations to formally collect and organize citizen input. The City also relies upon feedback from regular DAB meetings, from the Internet, and follow-up sessions with neighborhood association leaders to identify citizen priorities considered most relevant for review and inclusion in the budget development process.

Community priorities identified by the citizen participants include: infrastructure maintenance (especially storm water drainage and street maintenance projects); at-risk youth programming (especially in the evening hours); economic development efforts; municipal court improvements; and neighborhood issues (i.e., code enforcement). There continues to be support for public safety issues, though this issue has abated significantly since Wichita implemented the Public Safety Initiative (PSI) and the Community Policing model in 1995. The PSI was the result of feedback received from citizen input during the early 90's. In spite of recent modest increases, Wichita continues to experience very low crime rates.

Information from surveys and citizen sessions is collected and organized by Budget staff. Priorities are communicated to decision makers throughout the budget development process. As indicated throughout the budget, limited discretionary resources are targeted to address those community needs identified as highest priorities by citizen participants. More extensive citizen input opportunities are being considered for the Fall 2005 to stimulate dialogue between elected officials, staff and citizens for future budgets.

Financial Planning

Sound financial planning is vital in any corporation, including a municipality. The City's primary goal in financial planning is to maintain the public's trust and confidence in its ongoing financial stewardship of the public purse through long-term financial forecasting, a balanced budget, cash reserves to absorb cyclical variations in revenues without reductions in services, investor confidence in the City's bond value, and stable tax levies.

The City has established a practice of multi-year budget forecasting. Long-term analysis of revenues and expenditures into the future helps to avoid recurrence of budget shortfalls leading to service reductions and employee layoffs. A formal five-year Financial Plan document is produced each spring and presented to the City Council in advance of the annual budget development process. The plan is designed to ascertain

the long-term impacts of current operating budget policies and conditions. The Budget itself provides a detailed two-year expenditure plan (2005 and 2006) that is financed from available revenues, but only the first of the two years is officially adopted.

Another important element in the City's financial plan is a balanced budget, in both the legal and fiscal definitions. This means that annually recurring expenditures (other than one-time costs) are paid from annually recurring revenues. The effort to match annual revenues with annual operating expenditures has also aided the City in another important financial goal – to maintain a stable property tax rate. The City has sustained essentially the same mill levy for twelve consecutive years.

Revenue/Expenditure Forecasting

The City's Budget has a multi-year focus: retrospective in reviewing the prior year (2003) actual revenues and expenditures; current in revising 2004 requirements; prospective in budgeting for the next two years (2005/2006); and forecasting an additional three years (2007-2009). Forecasting the financial future of the City is not a precise science. It requires making assumptions about the future.

To the greatest extent possible, staff has sought to provide a neutral forecast that is neither too optimistic nor too pessimistic. The forecasting effort in the budget process is the product of assembling information from multiple sources, including:

- Econometric modeling of revenues based on research by Finance staff and WSU faculty,
- Input from state agencies which forecast various governmental revenues (e.g., Gas Tax),
- Local economic trends prepared by the WSU Center for Economic Development and Business Research
- Private sector expertise on select revenue sources (e.g., franchise fees), and
- Finance and other City department staff who monitor revenue and expenditure trends.

Budget Administration

The budget establishes appropriation and expenditure levels. It is normal with prudent management for "actual" expenditures to be marginally below "budgeted" expenditures by year-end. Organizations often anticipate a level of such expenditure savings in the budget development. The existence of a particular appropriation in the budget also does not automatically mean funds are expended. Because of the time span between preparing



the budget, subsequent adoption by the governing body and the end of the budget year, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

CONCLUSION

There is an old English Proverb that states, "A good beginning makes a good ending." The City of Wichita is setting its course on a path of new beginnings — an exciting journey that is paved with challenges and opportunities. As the City travels the course, it is always cognizant of the aspired destination... providing outstanding service to the citizens of this community.

The road map was outlined several months before this journey began. The City Council set the guideline of the excursion after months of presentations from each of the City's departments. The Council's extensive input, guidance and policy direction was crucial to the development of a plan that would take the City to new heights in public service.

The 2005-2006 Adopted Budget represents the best efforts of staff to achieve a balanced budget while recognizing the many competing demands for City resources. The creation of this budget required innovative thinking, which each Department provided. To balance the budget required that difficult choices be made and those choices were not made without reviewing all possible options and scenarios available. Each individual who had a role, no matter how great or small, in the creation of this budget should be commended for their diligent efforts.

As City Manager, it is my task to submit an annual budget that advises the City Council on the financial conditions and requirements of the City. It is my pleasure to present the **2005-2006 Adopted Budget**, the road map that will guide us in our journey and the foundation from which our new beginnings will take shape.

Respectively submitted,

George R. Kolb City Manager

ACKNOWLEDGEMENTS

The creation of the annual budget is a large feat and is made possible through the teamwork of dedicated individuals who worked tirelessly to reach our goal of a balanced budget without a tax increase. Special thanks is extended to Assistant City Manager Catherine Holdeman, and the Finance staff of Kelly Carpenter, Rob Raine, Mark Manning, Jay Newton, Kendall Niquette, Trinh Bui, Joe Yager, Marge Seger, and Ryan Adkison who prepared the Budget. Also, thanks to Ashley Jones, Jessica Johnson, Kelli Glassman and LaTricia Harper for their help with the divider and cover graphics and this letter.

The City is proud to be a recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. The City has been honored to receive this award each year since 1989. It is our belief that this budget will continue the City's record in meeting those standards. The City also holds the GFOA Certificate of Achievement for Excellence in Financial Reporting, receiving the award more years than any other government agency in the state. Finally, the City has received the Certificate of Excellence Award from the Municipal Treasurers' Association for its investment policy, the only governmental entity in Kansas to receive this recognition.

"There must be a beginning of any great matter, but the continuing unto the end until it be thoroughly finished yields the true glory."

- Sir Francis Drake